ARMY

Worldwide Environmental & Energy Conference 2000

December 6, 2000

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Agenda

- ESPC Lessons Learned
- ESPC Risk Allocation
- Utility Contracts
- ESCO Industry Where is it going?
- Washington Politics & the 107th Congress

ESPC Lessons Learned - Industry

We need to:

- Really listen to what the customer wants
- Manage our proposal costs
- Understand it is not just "our money"

ESPC Lessons Learned - Government

Government has come to understand:

- Time is money
- ESPCs can't be managed like normal construction contracts
- Not every ECM is bankable
- Strategic bundling is good
- Not to switch horses in the middle of a stream

ESPC Lessons Learned - Joint

Most important lesson:

• Get high level buy in for projects

ESPC Risk Allocation - Industry

- Payments contingent on savings guarantee
- Fixed price contract risks
- Construction delays = penalties
- Maintenance of equipment after warranties
- Ability to obtain financing at reasonable rates
- Elimination of ECMs after project investment

ESPC Risk Allocation - Government

- Will the building(s) survive the contract term?
- Will the be a change in use?
- Are the O&M savings real?
- Can we manage multiple ESCOs at one site?

Risk

Our respective risks are why high level buy in is important

Utility Financed Contracts

- Lack of a Savings Guarantee creates the biggest risk of all for the Government
- M&V is the only way to create a viable guarantee
- DOE and GSA call for both guarantees and M&V

ESCO Industry - Where is it going?

- Most ESCOs doing federal work are now owned by utilities
- Amount of ESPC business has fallen short of expectations
- Will need more flexibility in financing
- "Demand Responsiveness" business

ESPC Financing

- Positive forecasts for federal budget
 - Robust tax receipts
 - GDP growth predicted over the next decade
- U.S. Treasury marketable debt is disappearing
- The swaps market will evolve into the primary benchmark for U.S. debt securities

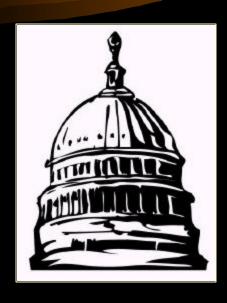
Energy Management

- Deregulation is opening business opportunities
 - Load management
 - Demand responsiveness
 - Commodity purchasing
- Avoid California's catastrophe
- Electricity and gas prices becoming volatile

Washington Politics and the 107th Congress

- Presidential Energy Initiatives
- Electricity Deregulation
- Congress:

Compromise or Conflict





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ESPC & Utility Contracts

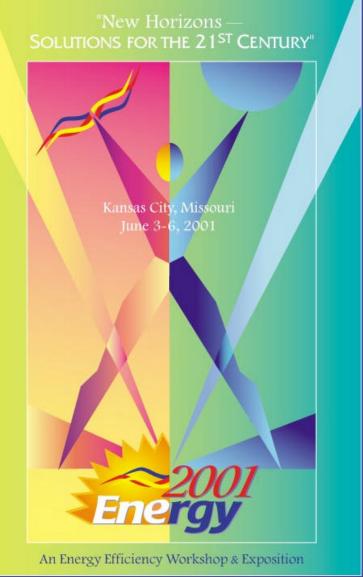
Renewable Technologies

Utility Deregulation Controls Technology

Labs & Industrial Facilities Water Savings

Sustainable Design Pentagon Renovation

Load Management And, a Vendor Trade Show



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